

## *Chapter IV: Program Review Focus Items*

In consultation with regional office staff, IRB-HQ has identified 34 focus review items for 1994. Reviewers should focus the program review on these deficiencies. Any deviations from the focus items list should be discussed with a supervisor.

The 34 focus items were selected because they represent areas where serious deficiencies often result in significant liabilities to schools for improper use of federal funds or cause harm to past or current students. By focusing program reviews on these critical items, reviewers will be better able to 1) identify the most serious deficiencies and compliance issues; 2) use limited staff time and resources more productively; and 3) avoid duplication of effort between ED reviews, and in reviews and audits conducted by independent auditors, guaranty agencies, state entities, and accrediting agencies.

A list of the focus items follows. The list is formatted to also serve as a checklist to guide the reviewer on-site.

Note: Reviewers should test for inconsistent or conflicting information when examining the focus items. An institution must maintain accurate or consistent data in order to support the eligibility of each aid recipient; therefore, the reviewer should identify any discrepancies in student and institutional records and ensure they are properly resolved. The following are some examples of conflicting information:

- a. Some schools ask the student to provide similar information on different forms. For instance, the admissions application may ask students about their employment history. Often, students report employment here, but show no wages for the same period on their financial aid application.
- b. A parent's tax return reports significant interest income for four consecutive years, but the aid applications reflect minimal assets every year. (Since interest income is reported for the *prior year* and assets are reported for *the current period*, a correlation needs to be drawn over more than one year).

The following discussions summarize key issues associated with a review of the focus items. These summaries are not meant to be all-inclusive. For instance, if there is a serious problem with a school's satisfactory academic progress policy not specifically discussed here, continue to review the issue based on regulatory or statutory requirements. These focus review item summaries are meant to provide guidance to reviewers, but not replace reviewer discretion and professional judgement.

Also, many of the typical problems are only briefly discussed, and do not include all possible considerations the reviewer must address. For example, in examining financial aid transcripts, the reviewer notes that financial aid was disbursed, even though a transcript showed the

student was in default. However, the reviewer must determine whether the school performed additional follow-up on what was reported on the transcript. There might be documentation in the student's file showing the student had made satisfactory arrangements to repay the defaulted loan, and was therefore an eligible student.

Finally, even if it is not listed as a focus item, the reviewer should not ignore a serious problem that becomes obvious in the review process, especially if it may represent potentially significant liabilities or may have affected many students adversely.

References are provided in a concise format at the end of each focus item to guide the reviewer to the appropriate regulatory or statutory authority. Dates are provided only for newly issued regulations. Full information on regulatory references for the focus items is found in the generic paragraphs. Please note that many recently issued regulations were not yet effective as of the time this Guide was prepared.

Although the Guide will be updated regularly, reviewers are reminded of the continuing importance of remaining current on regulatory and statutory requirements.



## Program Review Focus Items 1994

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## Review Focus Items

### **FISCAL:**

<b>1. FISCAL RECORDS/AUDIT TRAIL INADEQUATE</b> <b>FIS 3000, 3010, 3050, 3060</b>
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The institution's fiscal records should provide a clear audit trail of the status of federal funds from the time they are received by the school through the time they are used to pay students' eligible charges, delivered to the students for indirect educational expenses, or refunded to the programs.

Confirm the institution's methodology for determining the need for the amount of funds drawn through EDPMS. Then, verify how the school documents the use of the funds drawn. There must be a detailed accounting of the use of all federal funds received by the institution. If the school received \$10,000 in funds on 6/1/94, there should be a listing (ledger/journal) specifying the students to whom the funds were disbursed and the applicable program (e.g., FSEOG). The records for the bank account in which the federal funds are held must show that federal funds received were not used by the institution until they were delivered to the students (e.g., credited to their account). There should also be records of all FFEL check negotiations.

If federal funds are received and deposited in an account and combined with non-federal funds, there must be a separate record to show the status of federal funds in that account at all times. The overall account balance dropping below the balance of federal funds on hand in the account would be an indication that advances are being used for non-program purposes.

Federal funds should be maintained in a non-interest bearing account (except for the Federal Perkins account funds). However, if the federal funds are in an interest-bearing account, the interest earned on those funds must be returned to the Department.

There should also be a correlation between the different fiscal records at the institution. For example, the ledgers show \$10,000 was received on 6/1/94, and disbursed to 20 students on 6/3/94. Fiscal records (e.g., vouchers or ledgers) should reflect either payments against those students' charges, or checks issued to students, on or prior to 6/3/94. There is no specific requirement for an individual student account statement, but a school must maintain some system for evaluating students' accounts to determine when funds received have exceeded eligible costs for the applicable periods.

The fiscal system must also account for recoveries and refunds back to the Title IV programs.

The fiscal records must reconcile with specific program allocation limits set by the Department (e.g., Pell Grant Program Statement of Account, Campus Based Allocation Letters), and information provided to the Department in reports such as the Pell Grant Program Student Payment Summary, FISAP, and the Federal Cash Transactions Report (EDPMS 272). Therefore, the fiscal records should be able to identify not only the program, but the award year to which the funds are being applied. For example, if the records show Federal Pell Grant funds were disbursed to students on 7/5/94, were those funds for the 1993/94 or the 1994/95 award year? This determination is critical in ensuring they are reported against the appropriate year's authorization on the EDPMS 272 report.

The same standards of accountability also apply to the Federal Perkins Loan Fund. Those funds should only be used to make loans to students and pay certain program costs, as defined in 34 CFR § 674.47. There should be records showing the deposit of repayments received from students, and interest earned on the assets of the account.

The institution must also identify to banks those accounts containing federal funds, as specified in 34 CFR §§ 674.19, 675.19, 676.19, and 690.81.

Reviewing this system will require examining bank statements, fiscal reports, detailed ledgers, checkbooks, etc. Institutions' fiscal systems will vary, and there is no "usual" format. A Fiscal Review Worksheet has been provided as Appendix E to this Guide to assist the reviewer.

34 CFR § 668.23 General Provisions

34 CFR §§ 674.19 and 674.47 Perkins Loan, 675.19 FWS, 676.19 FSEOG

34 CFR § 682.610 FFEL

34 CFR §§ 690.81 through 690.84

*The Blue Book* (Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions)

*U.S. Department of Education's Guide to Payment Management System*

*Fiscal Records Review Training, Trainee Guide*, Fall 1991

## **2. EXCESS CASH MAINTAINED**

### **FIS 3110**

Evaluate the amount of funds drawn through EDPMS by the institution to verify that the funds are used for their intended purpose within the specified deadlines (FED WIRE 1 day, ACH/EFT 3 days). This is not strictly an evaluation of money in the federal bank account since the institution may have already earned the funds by crediting students' accounts, but has not

yet transferred the funds to its operating account. In such cases, the funds are not federal funds, and there is no excess cash.

Review reconciled bank statements and disbursement records/ledgers, comparing the amount received with the actual usage of funds.

Some schools draw funds based on projections of need (e.g., prior year's disbursement levels, % of allocations). If the projection is too high and the school will be unable to use all the funds in the specified timeframe, the excess should be returned to the Treasury.

Some schools improperly draw the total amount of their fund authorization at the beginning of year. The school then gradually disburses the funds over the course of the year, possibly earning interest on the funds.

Verify that funds returned to the Title IV account due to refunds or recoveries are immediately reallocated and used to pay students' awards. Some schools ignore refunds/recoveries when determining the amount of funds they draw through EDPMS. As a result, the refund/recoveries accumulate in the school's account.

Failure to make Title IV refunds to Pell Grant and Campus-Based accounts also constitutes excess cash maintained by the institution.

Determining whether excess cash exists in the Federal Perkins Loan fund is more complicated. The institution can properly hold such funds, and must earn interest on them. However, the institution is required to evaluate the amount of funds in the account to determine whether it has more funds than it can reasonably expect to lend out to its students. Guidance for the determination of excess funds in the Federal Perkins Loan account is provided in DCL 92-12. The institution is also required to expend the Federal Perkins Loan account funds on hand to make loans to students before drawing its Federal Cash Contribution (FCC) through EDPMS. Check that schools do not draw the FCC while there are still adequate funds in the account.

34 CFR § 668.16 General Provisions (12/1/87), reissued as 668.14(b) on 4/29/94

34 CFR § 690.74 Federal Pell Grant

34 CFR § 205.4 (a) Money and Finance, *Treasury Regulations*, 12/14/77

*U.S. Department of the Treasury Circular #1075 and #1084*

U.S. Department of the Treasury, *Treasury Financial Manual*, Chapters 6-2000,6-8000

*U.S. Department of Education's Guide to Payment Management System*

*The Blue Book* (Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions)

*Fiscal Records Review Training, Trainee Guide*, Fall 1991

IRB Memos 91-22 and 93-7

### 3. EDPMS 272 EXPENDITURE REPORT INACCURATE

#### FIS 3100

The institution's receipt and expenditure of funds are reported on the Federal Cash Transaction Report (EDPMS 272). Compare the institution's records of Title IV expenditures to confirm that both the interim and cumulative amounts agree with the amounts reported to the Department for the specific periods required on the EDPMS 272, and that all expenditures are equal to or less than the authorized levels.

The following are other suggested review strategies:

- " If interest was earned on any federal funds in the institution's accounts (other than the Federal Perkins Loan account), confirm that the interest is reported on the EDPMS 272.
- " Confirm the status of federal cash on hand against reconciled bank statements.
- " Compare the closing balance of the prior EDPMS 272 with the opening balance of the current EDPMS 272 for consistency.
- " Review for proper reporting when transferring funds between programs; compare to the appropriate FISAP report.
- " Verify that the institution's records were revised based on adjustments and disallowances noted on page 3 (272-B) of the EDPMS 272.
- " Ensure that the expenditures listed on the EDPMS 272 reconcile with other reports filed for the same period (a reconciled Pell Grant Final Student Payment Summary, the FISAP, etc.).
- " Compare receipt of federal funds listed on EDPMS 272 with deposits into school's accounts.

Institutions may incorrectly report funds received at the end of a reporting period as disbursed within that period to avoid the appearance of excess cash. For example, \$40,000 was received on 9/29/93, but not disbursed until 10/3/93. However, the school reported the funds disbursed on the EDPMS 272 for the period ending 9/30/93, rather than report \$40,000 cash on hand as of 9/30/93.

For ease in tracing Title IV funds, obtain the "POO number" (document number) from the EDPMS 272 by programs from the allocation letter(s).

34 CFR §§ 674.19 Perkins Loan, 675.19 FWS, and 676.19 FSEOG

34 CFR §§ 690.81 through 690.83 Federal Pell Grant

*U.S. Department of Education's Guide to Payment Management System*

*The Blue Book* (Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions)

*Fiscal Records Review Training, Trainee Guide, Fall 1991*

#### **4. ADVANCES USED FOR NON-PROGRAM PURPOSES**

##### **FIS 3040**

Funds received by the institution under the Title IV programs are held in trust for intended Title IV aid recipients and the Department.

This finding is often accompanied by a finding for excess cash, where the institution draws funds it is not yet entitled to and uses the funds for unauthorized purposes. As noted in the discussion for Excess Cash Maintained, the reviewer must determine whether or not the funds in the federal account have already been earned by the institution. Look for large, undocumented, lump-sum transfers of funds from the federal accounts.

With co-mingled accounts, verify that the total account balance did not go below the balance of federal funds present in the account.

Institutions may also fail to deposit their own funds to reimburse federal accounts for costs such as bank service charges and returned check fees. Therefore, Title IV funds are improperly used to used to pay the costs. Federal Perkins Loan funds can be used to pay certain program costs, as specified in 674.47.

Schools have also used federal funds for such diverse purposes as meeting institutional payrolls, paying personal expenses, as collateral for loans, and for investment purposes.

34 CFR § 668.14 General Provisions (12/1/87), reissued as 668.16 on 4/29/94

34 CFR § 674.8 Federal Perkins Loan

34 CFR §§ 675.18 FWS and 676.18 FSEOG

34 CFR § 690.81 Federal Pell Grant



**5. MATCHES NOT MADE IN CAMPUS-BASED PROGRAMS**

**FWS 1090, FPERK 8190, FSEOG 9010**

Verify that the institution has made the proper institutional match for campus-based funds (the required percentages of matching funds have changed several times in recent years). Also, confirm that the match was made at the time the funds were drawn through EDPMS by the institution.

Details of the institutional share requirements are provided in the Federal Student Financial Aid Handbook, Chapters 6, 7 & 8.

The institution should also be able to document how the match was made. In some cases, a school may deposit actual funds into the appropriate bank accounts, and the bank statements and ledgers will reflect the amount and date of the match. In other cases, the school will credit students' accounts for the full amount of the award, and then draw down a percentage of the full amount based on the federal share. In this scenario, the match would not be documented on the bank statement, since there would be no actual deposit of institutional funds into an account.

Given the previous scenario, where the school made its FWS match by drawing down \$750 out of a \$1000 payroll for a payment period, verify that each student was eligible for the 25% institutional match (students working off campus at a private, for-profit organization require a **50%** institutional match).

Other recommended review procedures are as follows:

- " Verify the accuracy of the institutional match calculations (many schools incorrectly calculate the match as 25% of the federal allocation, instead of 25% of the combined federal/institutional contributions).
- " Note that some institutions may receive waivers for institutional match requirements in the FWS and FSEOG programs. The school should have documentation of the waiver.

34 CFR § 674.8(a)(2) Perkins Loan

34 CFR § 675.26 FWS

34 CFR § 676.21 FSEOG

**HEA**, §§ 413(c)-FSEOG, 443(b)(5)-FWS, and 463(a)-Perkins

**DCL**, GEN 92-21, October 1992

*The Blue Book*, 5/6/91

*Federal Student Financial Aid Handbook*

**6. LATE/UNPAID REFUNDS**  
**GEN 2380 ,2340 FFEL 5170**

Confirm that refunds due to the Federal Pell Grant, Federal SEOG, or Federal Perkins Loan were paid to the federal account **within 30 days** of the school's determination that the students withdrew or dropped out (determination date). Refunds to the Federal Stafford, FSLs, and FPLUS Loan calculated on or after July 20, 1989, must be returned to lenders **within 60 days** of the determination date.

Review the school's procedures for identifying the determination date for drop-outs and "no-show's". Clock-hour schools usually have a dismissal policy if students miss a number of consecutive days, or miss a certain percentage of hours offered. Make sure the school adhered to the policy. Accrediting and licensing bodies may also specify some criteria for determining the withdrawal date.

Many credit-hour schools improperly assume students dropped out at the end of the term they last enrolled in, even if they received all incomplete grades. If the school's records show students informally withdrew, the school must determine the date the students last attended, and use the date for calculating refunds.

To verify timeliness, compare the date the refund was paid to the date the school determined the student withdrew.

Other recommended review procedures are as follows:

- " Look at cancelled refund checks and account transactions to verify the date funds were actually transferred (e.g., a check may have been dated 6/15/94, but the bank stamped the check received and negotiated on 7/30/94. If this is common, school may be holding refund checks.)
- " Ask if there is a system for refunds to be "approved" before refund checks can be sent to lender; this may result in checks being held for long periods after being drawn.
- " Try to call and verify last dates of attendance with students whose attendance records show long period of absences, then one final day of attendance.
- " Check whether the school automatically gives LOAs to students who say they want to withdraw. This allows the school to hold the money another 60 days or so.

34 CFR §§ 668.21 and 22, General Provisions  
34 CFR §§ 682.605 through 682.607 FFEL

**7. REFUND CALCULATION INCORRECT**

**GEN 2360,2371**

Confirm that the institution's refund consumer information and refund calculations are in compliance with the school's refund policy and regulations, and are mathematically correct.

Make sure the refund policy is "fair and equitable", using the calculation that is most beneficial to the student if more than one refund formula applies (i.e., pro rata, licensing body, accrediting body). Check that pro rata calculations are performed for all first-time students who withdraw from the school within 60% of the period for which they were charged, beginning 7/22/92. Also, ensure that the correct last date of attendance is used in the calculation.

Other recommended review procedures are as follows:

- " Review students' account records and verify all costs in the calculation are for the enrollment period in question (e.g., unpaid charges from prior semester not added in), and are specified in enrollment contracts and consumer information.
- " Ensure that correct tuition adjustments are made to tuition charges. Pro-rata requires adjustment based on hours **completed**; some state policies may specify using hours **offered**. The school must use the policy that results in the largest refund to the student.
- " Check that the unpaid amount of scheduled cash payments is subtracted from the amount of funds to be retained by the school (new provision, see DCL 94-13).
- " Confirm that repayment calculations have been performed, when non-FFEL funds were disbursed to students for indirect expenses.
- " Verify that the costs for books, supplies, and equipment have been properly adjusted based on the requirements of the formula (e.g., the cost of beauty kits was prorated). See Q & A section of DCL 94-13.
- " Ensure any excused absences counted as completed hours are based on a documented policy.

34 CFR §§ 668.21 and 668.22, General Provisions

34 CFR § 682.606 FFEL

*The Higher Education Amendments of 1992 (P.L. 102-325)*

*Federal Student Financial Aid Handbook*, Chapter Three, issued as DCL 94-13, 3/94

**8. CREDIT BALANCES NOT PAID TO STUDENTS**

**FIS 3171, GEN 2381**

Review the institution's policy and procedures for applying payments to students' accounts, monitoring whether students' disbursements exceed costs, and providing budgetary assistance to students.

Some schools don't keep individual student account records. ED does not require them to do so, but the school must have a system for determining when disbursements exceed costs, and promptly delivering the excess funds to the students.

Review records for sampled students to determine if credit balances were held without students' permission. **If credit balances are currently being held, check if school has enough funds in operating accounts to make disbursements to students.** IRB 93-8 provides further guidance regarding credit balances. According to ED's Policy Development Division, the current standard regarding prompt delivery of excess funds to students is 45 days. An NPRM clarifying this issue was in preparation as of the date this Guide was prepared.

A student's authorization for the school to hold funds in excess of direct charges must be in writing. Check that statements designed by schools clearly explain to students that they are giving permission voluntarily. Statements should not be embedded in the middle of other certifications, under one signature. A school must also obtain students' permission to apply Federal Pell Grant funds to charges other than tuition, fees, or institutionally charged room and board.

Other recommended review procedures are as follows:

- " Verify what budgeting measures are taken (e.g., are funds paid out to students on a schedule?) if statement says funds held for budgeting.
- " Note that, even with the student's permission, funds cannot be held indefinitely (payment period for Pell & Campus-Based funds, loan period for FFEL).
- " Confirm that the institution deposited all FFEL funds held with the student's permission in a designated trust account, and are not co-mingled with other funds or used for other purposes. This provision of 682.604 (d)(ii) became effective 2/19/93.
- " Verify the school's "stale" check procedures when students do not negotiate checks sent to them for indirect expenses. Are the checks ever canceled, and what happens to the funds?

34 CFR § 668.14 General Provisions (reissued as 668.16 on 4/29/94)

34 CFR § 682.604 FFEL

34 CFR § 690.78 Federal Pell Grant

IRB 93-8

**9. FFEL DISBURSEMENTS NOT ATTRIBUTED TO PAYMENT PERIODS****FFEL 5271**

Check that the institution adheres to the payment period concept as defined in 668.22(c) for FFEL funds when students withdraw from school. Payment periods correspond to semesters, trimesters, quarters, etc., for programs with academic terms. At a minimum, a payment period is the time between the beginning and the midpoint, or between the midpoint and the end of the academic year for programs without academic terms. Confirm how the school defines its payment periods.

For example, if a student attended only two trimesters, and the full loan amount covering a three trimester loan period was disbursed, one third of the loan amount must be attributed back to the lender. This process must take place before determining the amount of loan funds to be included in a refund calculation.

34 CFR § 668.22 General Provisions

**DCL GEN-88-32**

**STUDENT ELIGIBILITY:****10. ABILITY-TO-BENEFIT VIOLATIONS****GEN 2000, 2001**

Confirm the school's determination that students who do not possess a high school diploma or its equivalent (GED) have demonstrated the ability to benefit (ATB). All students enrolled on or after 7/1/91 were required to pass a test approved by the Secretary in order to receive Title IV funds, and that test must be independently administered. Prior to 7/1/91, students could not be admitted to the school unless they first demonstrated ATB.

Review all information about the test used by the school, including the test itself, an answer key, scoring guide, and instructions explaining the procedures for administering the test.

Recommended review procedures are as follows:

- " Ensure that any test used for all Title IV recipients enrolling as of 7/1/91 is one of the approved tests listed in the Federal Register.
- " Verify the *complete* approved test was administered, the school cannot use only selected parts of the test.
- " Recheck the scoring of the test; make sure the student actually passed.

- " Verify that the test was administered as specified by the developer (the test was timed, if required; re-test procedures followed, etc.), by interviewing the test administrator (tester) and students.
- " Ascertain whether the tester meets the independence criteria in the Federal Register notice (review the tester's contract with the school).
- " Confirm whether tests meet licensing and accrediting requirements (some agencies approved only certain ATB tests, even before the Department did so).
- " If students fail the ATB test and then submit documentation of high school graduation or GEDs, the reviewer may want to verify the authenticity of that information.

When discussing the process with officials and the tester, determine how the documentation that the student passed the test is maintained. Is there a certification for each student who passed, signed by the tester? Does the test administrator keep a roster of all students tested to be checked against the results noted in students' files? There are no specific measures required by the Department, but there have been some cases where administrator records showed students failed their ATB tests, but the file documentation showed they passed! Refer to Appendix C of this guide for recommended questions to ask regarding the ATB process.

Finally, since students who cannot demonstrate ATB can still be admitted to the institution, verify that the school has a method to identify such students to ensure they do not receive Title IV assistance.

**HEA** Sec. 484(d)

Higher Education Technical Amendments of 1991 (P.L. 102-26)

34 CFR § 600.11 Institutional Eligibility

34 CFR § 668.7 General Provisions

Federal Register Notice of 12/30/92

Federal Register Notice of 12/19/90

**DCL**, GEN 91-20

*Federal Student Financial Aid Handbook*, Chapter 2

IRB Memo 92-2, 2/20/92

<p><b>11. SATISFACTORY ACADEMIC PROGRESS STANDARDS</b> <b>NOT MONITORED OR DEVELOPED</b> <b>GEN 2390, 2400</b></p>
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**See Appendix G--Satisfactory Academic Progress (SAP) Policy Checklist**

Institutions are required to 1) establish satisfactory academic progress (SAP) standards and, 2) confirm that students are maintaining those standards prior to releasing any federal student financial aid. An institution may award Title IV funds only to eligible students. Maintaining SAP is one eligibility criterion all students must meet.

The institution must have a written satisfactory academic progress policy which is the same as, or stricter than, standards for non-Title IV aid recipients.

Verify with institutional officials if they have checked with their accrediting body for specific SAP criteria; if yes, is the school in compliance? Does the policy contain all elements required in the regulations? Was the policy correctly applied for all students in the sample?

Establish when the school evaluates SAP. Determine which office is responsible for determining whether a student is maintaining SAP. Review the procedures in place to ensure that students who failed to meet the satisfactory academic progress policy are denied aid.

Other recommended review procedures are as follows:

- " Verify that the institution's quantitative measure of progress correlates to its stated maximum timeframes.
- " Check that the standards were consistently applied.
- " Ensure students are informed of appeal rights and procedures.
- " Confirm documentation maintained for all exceptions to SAP standards granted, based on appeals.
- " Recheck calculation of elements used in standards (e.g., GPA, cumulative hours/credits earned), especially if school's system is not computerized.
- " Verify that the standards define the effect of course incompletes, withdrawals, course repetitions, noncredit remedial courses, credit by exam, and other special considerations.

34 CFR § 668.7 General Provisions

34 CFR § 668.14 General Provisions, reissued as 34 CFR § 668.16 on 4/29/94

**12. INELIGIBLE NON-CITIZEN****GEN 2190**

Examine documentation collected for all students who have reported they are eligible non-citizen permanent residents on their institutional applications. *This also applies to parents of students who are applying for PLUS Loans.*

A student's SAR should contain some comment regarding confirmation of permanent residency status. The Higher Education Amendments of 1992 required schools to collect "secondary" confirmation from INS (Form G-845) for all students whose status was not confirmed on the SAR. Prior to that, secondary confirmation was not mandatory, and students were required to document their eligible non-citizen status based on the criteria described in Chapter Two of the Federal Student Financial Aid Handbook.

34 CFR § 668.7 General Provisions

**HEA**, Section 484(h) & (i)

**DCL**, GEN 92-21, October 1992

**13. ATTENDANCE RECORDS MISSING/INACCURATE****GEN 2040, 2050**

Complete and accurate attendance records are essential for evaluating students' Title IV eligibility. Although there is no regulation specifically requiring attendance records, institutions must have a system in place to verify student enrollment status, course length, eligibility for subsequent payments, and refund calculations.

Discuss with institutional officials the process for recording the classes or number of hours students attend each day. Is attendance taken periodically during the day, or are there sign-in/sign-out sheets? How is partial attendance recorded, rounded to the nearest hour, half hour, etc.? How are records kept at any externship sites?

Compare attendance records to any other records or reports kept for other agencies, such as JTPA and VA. Test the cumulative attendance list against source records. Check that hours have been properly compiled, including the actual addition for manual systems or the data entry for computerized systems.

Other recommended review procedures are as follows:

- " Look closely at attendance records with excessive white out, especially if the student withdrew. Try to contact students to verify information.



- " Ask students about absences (especially extended periods) and verify that the attendance records correspond.
- " Determine how make-up hours are documented. Some schools do not differentiate between make-up hours spent working on specific coursework, and extra time students may spend at school practicing on their own.
- " Look for cases where all students sign in and out at exactly the same time every day. Also, check holiday schedules, doctor's notes and other notations in students' files to confirm deviations in attendance are accurately recorded. Many discrepancies of this kind may signal the attendance records were hastily created after the fact.

Missing or inaccurate attendance records may mean the undocumented classes or hours cannot be counted for purposes of determining students' eligibility.

34 CFR § 668.23 General Provisions

34 CFR §§ 674.19 Federal Perkins Loan, 675.19 FWS and 676.19 FSEOG

34 CFR § 682.610 FFEL

34 CFR § 690.82 Federal Pell Grant

<b>14. FINANCIAL AID TRANSCRIPT MISSING/INCOMPLETE</b>
<b>GEN 2150</b>

Check to determine whether complete financial aid transcripts (FATs) are collected from all prior postsecondary schools reported by students. The school must have some record that shows students were asked about prior schooling, and their responses to the question.

Many times students report prior schooling on admission applications, but do not report the same information on their financial aid applications. Schools must have a way to coordinate this information and collect FATs from all prior schools indicated on any institutional records. During the review, check **Admissions**, **Registrar**, and **Financial Aid records** for indications of prior postsecondary attendance.

Other recommended review procedures are as follows:

- " Check that the school has not disbursed Title IV funds when FAT reports student is in default/owes repayment.
- " Verify FAT is completely filled out and form provides all required documentation (see 668.19).

- " Review for conflicting information on FAT (e.g., reporting school says the student attended beyond the five-year record retention period, but application information shows the student attended there four years ago).
- " Verify that the school has obtained a financial aid transcript from the Federal Student Aid Information number (1-800-4-FED-AID) for **closed schools**.
- " Check the collected FATs for information on other schools previously attended and ensure that FATs were collected for all prior schools not previously reported to the institution.

Note: It is a school's responsibility to ensure it collects complete FATs; the school must follow up if it receives incomplete or conflicting information on FATs.

34 CFR § 668.7 General Provisions

34 CFR § 668.19 General Provisions

**AWARDING/DISBURSEMENT:**

**15. INCOMPLETE VERIFICATION:**

**GEN 2491**

Check that required verification was completed for all selected students. If a student's data was not processed through a need analysis with the required verification edits, the school must proceed as if the student was selected. The information to be verified and the specific types of required documentation are listed in The Verification Guide.

Other recommended review procedures are as follows:

- " Carefully check untaxed income items identified on tax returns (these are often misreported).
- " Ensure the verification documentation collected is complete (e.g., all required signatures are present on documents).
- " Check that the school identified any revised information on documents collected, and performed any required need analysis.

Although many schools verify **all** selected applicants, schools were not required to verify more than 30 % of their total applicants prior to 7/23/92. A school choosing to verify only 30% must document how it identified the 30% who were verified. The 30% limitation was removed from statute by the Higher Education Amendments of 1992. The Department has yet to issue guidance to institutions regarding any change to the verification limitation requirements.

Please note: Schools participating in the Institutional Quality Assurance Program (IQAP) are exempt from selected sections of the General Provisions regulations. IQAP schools should not be cited for failure to complete verification of a student selected by the processor. A basic premise of the IQA Program is to allow schools to design their own verification programs, based on problem areas identified as critical at their schools.

34 CFR § 668.54 through 668.59 General Provisions, reissued 4/28/94

Minor changes to §§ 668.57 & 668.59 on 8/27/92

*The Verification Guide*

IRB Memo 91-27, 2/5/92

**16. INDEPENDENT STATUS (NOT DOCUMENTED; INCORRECT;  
UNREASONABLE PROFESSIONAL JUDGEMENT)**

**GEN 2161**

Check that documentation was collected to support the status of students who were classified as independent for financial aid eligibility purposes because they reported they were not claimed by their parents in two prior years, and they had resources in excess of \$4000 in each of the years specified on their applications. These criteria were in effect for the years 1987/88 through 1992/93. The "conditional" criteria requiring documentation were removed from the definition of an independent student in the Higher Education Amendments of 1992.

If the student applied for financial aid in past years, check that documentation of income for the dependency status issue matches information provided on prior applications, if applicable. There is no specific definition of what is acceptable documentation for this issue. Therefore, a parent's statement that the student was not claimed would suffice instead of copies of his or her tax returns.

With regard to professional judgement, check that all adjustments are documented, and that adjustments were made on a case-by-case basis. Note: An institution cannot retroactively justify undocumented adjustments.

**HEA**, § 480(d)

Higher Education Amendments of 1986 (P.L. 99-498)

Higher Education Amendments of 1992 (P.L. 102-325)

**DCL**, GEN 86-35, November 1986

**DCL**, GEN 92-21, October 1992

Note: There are no regulations providing guidance on professional judgement.

**17. MISSING/UNSIGNED FEDERAL PERKINS LOAN PROMISSORY NOTES**

**PERK 8200, 8210**

Confirm that signed, complete, and valid promissory notes are on file for all sampled Federal Perkins Loan recipients.

Discuss with appropriate school officials the system for having students sign promissory notes. There should be a control to ensure funds are not disbursed until a note is signed (both the note and schedule of advances). Some schools improperly make the disbursement first, and

then have the student sign the note. Then, the school may fail to reverse the disbursement if the student withdraws without signing the note, creating ineligible disbursements.

Certified true copies are acceptable in lieu of an original note, but regular photocopies are not acceptable.

34 CFR §§ 674.16, 674.31, and 674 - Appendix A through D (Perkins Loan)

<b>18. TIMECARDS FOR FWS STUDENTS MISSING/INVALID</b> <b>FWS 1040, 1100</b>
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Verify that for each student paid under FWS there is a record showing the number of hours he or she worked each day. The institution is liable for all federal funds disbursed for the period if a timesheet is not maintained.

Check that timesheets are supported by a certification from the student's supervisor that the student worked and earned the amount paid.

Collect the timesheets for a sample of the payroll periods in the year under review, and cross-reference those with payroll records. If student class schedules are available, compare them to students' work hours to ensure students did not work when they were supposed to be in class.

34 CFR § 675.19 FWS

<b>19. IMPROPER FEDERAL PELL GRANT CALCULATIONS/DISBURSEMENTS</b> <b>PELL 4030, 4040, 4050, 4060 ,4080,4090,4130,4131,4140</b>
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An institution must determine a student's Federal Pell Grant eligibility, taking into account the student's expected family contribution (Pell Grant Index prior to 1993/94), enrollment status, budget, and award year/payment period duration.

Chapter Four of the 1992/93 Federal Student Financial Aid Handbook specifies the regulatory requirements for calculating Federal Pell Grant eligibility prior to the Higher Education Amendments of 1992 (Reauthorization).

Reauthorization changed most aspects of calculating a student's Federal Pell Grant eligibility. Reauthorization eliminated the separate Pell Grant family contribution (PGI), and the specific

Pell Grant cost of attendance (COA) requirements. Family contribution and COA methodologies are now consistent for all Title IV programs.

Reauthorization also added a minimum duration requirement (30 weeks) to the academic year definition. The new definition of an academic year is the most significant change in calculating a student's Federal Pell Grant eligibility. The specific procedures for the eligibility calculation are provided in DCL 93-33, which also represents Sections 2 and 3 of Chapter Four of the 1993/94 Federal Student Financial Aid Handbook. **Please pay special attention to the "hold harmless" provision delineated in the second paragraph of DCL 93-33.**

The reviewer must verify that the scheduled award and payment amount were properly calculated. Schools often miscalculate these figures for award periods of less than a full academic year.

Generally, a student must submit a valid Student Aid Report (SAR) or Electronic Student Aid Report (ESAR) to establish eligibility for a Federal Pell Grant. The (E)SAR requirements are discussed in the Student Aid Report Invalid focus item. If a student submits a valid (E)SAR later in the award year, the institution may not make a retroactive disbursement for a prior term if the student did not complete that term.

Other recommended review procedures are as follows:

- " Carefully check award calculations for non-standard payment periods.
- " Verify that the proper calculation was performed when an FAT from a prior school shows the student received Federal Pell Grant funds at another institution in the same award year.
- " Check special consideration issues, especially for incarcerated students and students receiving JTPA funding, as discussed in Section Three, Chapter Four of the Federal Student Financial Aid Handbook.
- " Review the elements used in constructing the COAs, especially the maximum standard allowance, and child care allowance.

34 CFR §§ 690.3, 690.61, 690.62, 690.63, 690.75, and 690.83 Federal Pell Grant  
*Federal Student Financial Aid Handbook*

**20. INVALID STUDENT AID REPORT**

**PELL 4090, 4180**

Check that SARs and ESARs are valid, and compare with academic records to verify they were received while the student was eligible and still enrolled.

ESARs must be signed to be valid (see 34 CFR 690.2 for definition of a valid SAR). Signature requirements for ESARs were more restrictive prior to 12/28/91. The ESAR format may vary slightly based on the software used. In some cases, the ESAR certification is a separate, pre-printed document. When reviewing these separate certifications, the date the students indicate they signed the certification might predate the ESAR processing date. It cannot be a valid ESAR if the student signed the ESAR certification, and certified the correctness of the ESAR data before the ESAR was produced!

Schools have been known to have students sign the ESAR certification when they fill out their financial aid application, in order to save time later when the ESAR comes in. Ask students and staff what documents are completed when students first apply (especially if many of the ESAR statements are undated).

Please note that as of 7/23/92 a full-data paper roster from the Central Processing System (CPS), or a formatted output document from a CPS-produced tape or cartridge could be used in place of an (E)SAR to justify Federal Pell Grant payments to a student.

Also, check the comments on (E)SARs to ensure that student eligibility problems, such as loan defaults, Selective Service registration problems, or problems identified through the new Social Security number match have been resolved. Such problems, identified through electronic matches with other databases, should now cause a "C" code to appear next to the EFC on the (E)SAR. Some schools do not print the actual comments on the ESAR, but print a list of codes in the body of the document. See Chapter Two, Appendix B of the Federal Student Financial Aid Handbook for a translation of the codes.

34 CFR § 668.7 General Provisions (Social Security match requirements added to this regulation in 3/16/94 Federal Register)

34 CFR §§ 690.13, 690.14, and 690.61 Federal Pell Grant

34 CFR § 690.2 Federal Pell Grant

HEA, Section 401(f)

The Higher Education Amendments of 1992 (P.L. 102-325)

*The 1993/94 Federal Student Financial Aid Handbook*

DCL, GEN 92-21, October 1992

<b>21. DISBURSEMENTS MADE PRIOR TO MIDPOINT</b>
<b>PELL 4040</b>

Students must complete the payment period for which they have already been paid before they can receive additional Federal Pell Grant disbursements. Some schools schedule payments for the date students are **expected** to reach the midpoint, based on the original class schedule. The school then might make the payment without verifying whether the students actually completed the required hours. The student may then drop out without ever completing the required number of clock or credit hours, having therefore received an overpayment.

Compare the account records with attendance/academic records for all students in the program review sample. Verify whether subsequent disbursements were made only after the students completed the required number of clock or credit hours. For example, a school's academic year is divided into two 450-hour payment periods. The school cannot make the second disbursement until the student has completed the 450th, and started the 451st clock hour.

An institution may consider excused absences when determining the number of clock hours completed. Excused absences refer to missed classes that are not required to be made up, and must be based on the school's documented policy. Excused absences may not be considered if students must eventually complete all clock hours in their program of study (e.g., cosmetology programs with state requirements for actual hours completed).

A similar determination must be made when students are enrolled in a non-term program measured in credit hours. Where an academic year is defined as 30 credit hours, the second disbursement cannot be made until the completion of at least 15 credit hours. If a student has completed 14 credit hours, and then begins the next segment of the program encompassing 6 credit hours, the payment cannot be made until the student has completed that segment.

Please note, this does not apply to FFEL disbursements. Strict adherence to payment periods for FFEL is not required unless the student withdraws, at which time loan attribution applies.

For FSEOG and FWS, funds can be credited to students' accounts up to three weeks prior to the beginning of classes for a payment period, as long as the student has registered for that payment period. If the student never enrolls for the payment period, the funds must be returned to the program.

FSEOG regulations allow the student's entire annual award to be disbursed at one time if the award amount is less than \$501.

34 CFR § 690.3 Federal Pell Grant

34 CFR § 690.75 Federal Pell Grant



**22. ENROLLMENT NOT VERIFIED BEFORE DISBURSEMENT****GEN 2130, FFEL 5100**

An institution may award Title IV funds only to eligible students. Verify that student enrollment status was confirmed before Title IV funds were disbursed.

Compare disbursement records with attendance records and academic transcripts to confirm students' enrollment status at the time of disbursement. Check that disbursements have not been made in the following circumstances:

- " The student is not registered for classes.
- " FWS payments made to a student for work performed after the student withdrew from school.
- " Federal Pell Grant payments are made after a student's last date of attendance (LDA) without a valid (E)SAR or other official notification of the student's EFC.
- " FSEOG and Federal Perkins Loan disbursements are made after students LDA (see DCL 94-13 for limited late disbursement criteria).
- " FFEL disbursed after LDA without late disbursement approval (late disbursement rules specified at 682.604(e) effective 2/19/93, based on guaranty agency criteria prior to that).

The reviewer should also verify that the correct enrollment status was used in determining a student's eligibility for Federal Pell Grant disbursements before a disbursement is made. Schools are required to ensure that disbursements are based on a correct enrollment status, and therefore must have a system to monitor changes prior to payment (different rules apply if the enrollment status changes after payment has been made).

34 CFR § 668.7 General Provisions

34 CFR §§ 674.9 Federal Perkins Loan, 675.9 FWS and 676.9 FSEOG

34 CFR §§ 682.604 and 682.605 FFEL

34 CFR § 690.75 Federal Pell Grant

Higher Education Amendments of 1992, (P.L. 102-325), § 411

**23. NEED ANALYSIS IMPROPER/UNDOCUMENTED**

**GEN 2222, 2270, 2290**

Verify that the need analysis performed to determine student eligibility was complete.

An institution must receive an official Expected Family Contribution (EFC) under the Federal Methodology to document a student's Title IV eligibility, beginning with the 1993/94 award year. The institution may recalculate an EFC without resubmitting the information for an official recalculation, but the school is liable for any incorrect calculation.

Prior to 1993/94, under the Congressional Methodology, schools could award and disburse funds having performed and documented the calculations themselves (PGI *recalculations* could be performed by the school to demonstrate that award amounts would not change). The Department approved various need analysis software packages that schools used to determine EFCs and PGIs. The reviewer should be careful to recheck all manual calculations performed by the school, and verify that software packages were approved by the Department.

Other recommended review procedures are as follows:

- " Verify the institution has received official EFCs beginning in 1993/94.
- " Confirm EFCs and PGIs were properly calculated when need analysis data was changed.
- " Ensure the correct procedure was used to determine EFCs for other than standard nine-month duration.

**HEA**, Sections 471 through 480, Part F

*The EFC Formula*, 1993/94

*The Pell Grant Formula* through 1992/93

*The Congressional Methodology* through 1992/93

**24. FFEL LOANS NOT PRO RATED FOR PROGRAMS < ONE YEAR**

**FFEL 5141**

Ensure the loan amounts have been pro rated for programs of less than a full year. This provision was effective on or after October 1, 1992. Regulations providing more specific guidance will be issued at a later date.

For purposes of proration, the academic year is divided into thirds. The specific proration amounts are described in DCL,GEN 92-21.

Until regulations are published, institutions are required to make a good faith effort to meet the statutory requirements.

The Higher Education Amendments of 1992 (P.L. 102-325) § 428

DCL, GEN 92-21, 10/92

34 CFR § 682.604 FFEL

**25. FFEL LOAN AMOUNTS INCORRECT FOR GRADE LEVEL**

**FFEL 5220**

Verify that the academic level on the FFEL application corresponds to the school's documented grade-level progression criteria. Some schools incorrectly certify grade levels on the loan application based on the number of years the student has been present at the institution, without consideration of the grade level progression criteria, or incorrectly report a higher grade level based on past educational experience unrelated to the student's current program.

Compare the academic record/transcript showing the number of credits or hours the student had completed as of beginning of loan period with the loan period reported on the loan application.

34 CFR § 682.603 FFEL

**OTHER:**

**26. INELIGIBLE PROGRAM**

**GEN 2180, 2181**

Verify that students are awarded Title IV funds only for courses that are part of an approved program of study at the institution. (See Section 484(b) of HEA for exceptions). Determine whether the school's state licensing or accrediting bodies require approval of all individual programs of study, and that the required approval was received.

Many licensing bodies are very exacting in approving clock-hour programs. If the school deviates from the specific conditions of the course approval, the program may not be eligible. For example, if a course is approved and licensed as a 900 clock-hour program, but the school only *offered* 850 hours of instruction as of the date the students graduated, that program is not the same program approved by the licensing body. The licensing body should be consulted to determine the effect of the deviation from program approval requirements.

The Higher Education Amendments of 1992 changed the eligibility definition for programs of less than 600 clock hours at proprietary institutions of higher education and postsecondary vocational institutions. Refer to 34 CFR 668.8(d) for details of revised program length requirements.

Other recommended review procedures are as follows:

- " Confirm with school officials that all programs of study are listed in the catalog, and that they are all approved programs (schools sometimes add new or pilot programs prior to getting approval).
- " Ensure the program meets the minimum program length requirements as specified in statute and regulation.
- " Verify that ESL-only courses admit students who already possess pre-existing work skills.
- " Check that off-site laboratory work at a clock-hour school is faculty-supervised.

34 CFR § 600.2 Institutional Eligibility 4/29/94 and 4/5/88

34 CFR § 668.8 General Provisions 4/29/94 and 12/1/87

**HEA**, Section 481(e)

Higher Education Amendments of 1992 (P.L. 102-325) § 495

**DCL**, GEN 92-21, October 1992

IRB Memo 93-6, 4/28/93

*Federal Student Financial Aid Handbook*, Chapter 3

**27. INELIGIBLE SCHOOL/BRANCH/LOCATION**

**GEN 2170, 2300, 2311**

Examine all appropriate documents to verify the eligibility of the school and all its branches and classroom locations. The type of documents will vary, but the school should have documentation from accrediting and licensing bodies which describe the school and its programs of study. Compare the licensing/accrediting documents with the institution's latest eligibility letter from the Department.

The school should be able to demonstrate that its licensing and accrediting bodies have approved all locations where instruction is being offered, *if approval is required*. Specific criteria as to whether approval is required for all locations may vary based on the licensing agency and accrediting body. In some cases, approval of a location is not required if complete programs of study are not offered and only individual classes are taught. The reviewer should learn accrediting and licensing body requirements. Title IV funds awarded based on enrollment at ineligible locations are school liabilities.

Verify that the school has notified the Department when changes occur, such as a change of ownership that results in a change in control, and a change in address.

The Higher Education Amendments of 1992 stipulated further conditions of a school's eligibility to participate in the Title IV programs, such as limitations on the percentage of incarcerated students or students without high school diplomas or the equivalent. Regulations specifying these requirements were published on 4/29/94. Refer to 600.5(a)(8), 600.5(d), and 600.7(a) of the 4/29/94 Federal Register for the most important changes.

34 CFR §§ 600.2, 600.4-7, 600.30-32 Institutional Eligibility

**HEA**, Section 481(a)

Higher Education Amendments of 1992 (P.L. 102-325)

**DCL** GEN 92-21, October 1992

**28. UNRESOLVED ITEMS FROM PAST REVIEWS/AUDITS****GEN 2240, 2330**

Verify that all issues identified in past program reviews and audits have been completely resolved by the institution. Previous reviews may include those conducted by guaranty agencies or SPREs. In cases where prior audits or reviews are still open, confirm that the school is pursuing resolution of the outstanding issues. This involves more than the school taking the necessary action to resolve the specific problems from the reviews/audits. The school should have also taken measures to prevent a reoccurrence of the identified problems.

Repeat findings of a systemic nature usually means that the school either ignored findings and requirements of prior reviews and audits, or did not have the capability to make the required corrections. These types of problems may demonstrate a lack of overall capability to adequately administer the Title IV programs.

If an institution is part of a chain of schools with centralized administration, systemic problems previously identified at other locations may be considered repeat violations if uncovered at the school currently under review.

34 CFR § 668.14, reissued as 668.16 on 4/29/94

**29. FISAP INCOME GRID NOT DOCUMENTED****CBA 0030**

Review the FISAP applications to verify the figures reported by the institution for the number of eligible aid applicants enrolled at least half-time during the applicable award year at Part III, Section E. The FISAP uses eligible aid applicant information from the recently completed year to determine whether the institution will receive any "fair share" funding in FSEOG, FWS, and Perkins for the following year. For example, schools filed the FISAP application for the 1994/95 award year in October 1993, using eligible applicant data from the 1992/93 award year.

Careful consideration should be given to the definitions and instructions that accompanied each application concerning "eligible aid applicants" and "application." Please note that students cannot be counted in the income grid figures if they do not have all information needed to perform an approved needs analysis on file with the institution.

Request documentation supporting the dependency status and total family income for all students included on the income grid for eligible aid applicants. Test the supporting

documentation to confirm that students from the review sample are correctly reported. Make sure all income used in the need analysis is included. Many schools have omitted parents' untaxed income or all dependent students' income.

Next, test the documentation against what was reported on the income grid itself. Confirm the number of students reported in some of the lower income categories. For example, count the number of dependent students with family incomes between \$6000 and \$8999, and verify that the number matches with what was reported at line 27 on the grid. If students are incorrectly reported (especially when included in lower income categories than they should be), the student body appears to look needier, and the school might get more fair share funding than appropriate.

Additional points to note:

- " Ensure the institution included all changes to students' income and dependency status, including professional judgement.
- " Students with prior bachelor degrees are considered graduate students on the grid, even if they are in an undergraduate program.
- " Check the figures reported in Section D (tuition and fees, and Pell Grant disbursements) against fiscal records.
- " Verify that no-show students have been excluded from the grid (schools that use reports generated by a processor sometimes fail to screen out the no-shows).
- " Look over the documentation for cases where students are included twice under different social security numbers.

34 CFR § 674.19 Federal Perkins Loan

34 CFR § 675.19 FWS

34 CFR § 676.19 FSEOG

IRB-S-88-3, IRB-91-4, and IRB-93-12.

Please note that errors in the income grid might change an institution's campus-based allocation only if the institution received fair-share funding for the applicable award year.

**30. PERKINS LOAN DUE DILIGENCE DEFICIENCIES**

**PERK 8090, 8140, 8180, 8230**

**(See Appendix I -- Perkins/NDSL Due Diligence Checklist)**

The reviewer must verify whether an institution is correctly performing due diligence procedures for its Perkins Loan borrowers.

Many institutions contract with outside agencies to service their Perkins Loan collection efforts. In these cases, the reviewer should review a copy of the contract or other documents that specify the services these agencies perform to verify they cover the regulatory requirements. At a minimum, the institution itself should be providing the required exit counseling for students who withdraw or graduate.

If school staff perform due diligence procedures themselves, the reviewer must discuss the process with school officials to ensure all regulatory requirements are met. Trace some of the students in the review sample who have entered repayment to see actual records and to verify that the process works as designed. The school must be able to document its compliance with all due diligence requirements.

Following are some of the deficiencies which may be discovered:

- " inadequate exit counseling;
- " inadequate contact with borrower during grace period;
- " inadequate billing procedures, including late charges;
- " inadequate address searches, skip-tracing;
- " inadequate collection procedures/student not reported to credit agencies, and loan not accelerated; and
- " improper deferments granted.

34 CFR § 674.41 through 674.50 Perkins Loan



### **31. IMPROPER COMMISSIONED SALES REPRESENTATIVE PRACTICES**

#### **FFEL 5000**

Under 34 CFR § 600.7, a commissioned sales representative at a school approved for participation in the Title IV programs cannot provide prospective or enrolled students with FFEL applications, names of lenders, or other information to encourage students to apply for loans. Further, the Higher Education Amendments of 1992 prohibited any institution from providing a commission, bonus or other incentive based on an employee's success in securing enrollments, admissions, or financial aid.

The reviewer should interview a sales representative to verify compensation policies, and ask what part they play in providing students with information about loan availability. This should also be discussed with school administrators. Additionally, the reviewer should ask students and other school personnel, especially financial aid staff, how loan information is provided. The applicable regulations and statutes deal with an institution's eligibility to participate in the programs. Violations reflect on the administrative capability of the institution, and could possibly affect Title IV eligibility.

**HEA**, Section 487(a)(20)

The Higher Education Amendments of 1992 (P.L. 102-325)

**DCL**, GEN 92-21, October 1992

34 CFR § 600.7 Institutional Eligibility

### **32. CREDIT/CLOCK HOUR CONVERSION IMPROPER**

**(CODE TO BE ASSIGNED)**

Verify the school has correctly determined the credit hour measurement of its programs for purposes of determining students' Title IV eligibility. This applies to undergraduate vocational educational programs\* of less than two years in length, unless each course within the program is fully acceptable for credit toward the school's degree programs.

The credit/clock hour conversion criteria are defined in the Federal Register published on 7/23/93; effective date: 7/1/94.

\* See § 668.8(2)(iii),(iv), and (v) for definitions of vocational educational program.

34 CFR §§668.8 and 668.9 General Provisions 7/23/93

<b>33. FFEL STUDENT STATUS CONFIRMATION REPORT NOT FILED/INACCURATE</b>
<b>FFEL 5210 AND 5260</b>

Find out which office completes the student status confirmation reports--SSCRs (it is usually Financial Aid or the Registrar), and ask to see at least a sample of the reports for the period under review. IDS will show which guaranty agencies the school has utilized in the past. Guaranty agencies are required to solicit confirmation of student enrollment status at least twice a year (usually in the Fall and Spring), so there should be a minimum of two completed confirmation rosters for each year at the school. Schools must keep copies of the reports they submit. Usually, a guaranty agency can confirm whether a report was submitted. Failure to submit reports or reporting inaccurate status information can signal that the school is trying to conceal refund problems.

Other recommended review procedures are as follows:

- " Check the status of each FFEL recipient in the program, review sample against the confirmation rosters to verify whether the enrollment status or status change date has been correctly reported.
- " If the Financial Aid Office completes the confirmation reports, verify that there is a system by which that office is provided up-to-date information from the registrar about student status.

34 CFR §§ 682.605 and 682.610 FFEL

<p><b>34. HIGH DEFAULT SCHOOL</b></p> <p><b>FFEL 5030, 5040, 5130, 5131</b></p>
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(See Appendix H-- Default Review Checklist)

Check that schools with default rates in excess of 20% have implemented an approved default management plan. The plan for schools with rates of 30% or higher must include all elements of Appendix D of the General Provisions regulations from 6/5/89.

Other recommended review procedures are as follows:

- " Check that delivery of loan funds for first-time borrowers is delayed.
- " Confirm that loan entrance and exit counseling is expanded.<sup>†</sup>
- " Verify that student retention, counseling, and placement procedures are enhanced.<sup>†</sup>
- " Ensure no FSLS loans are certified (30% and above).
- " Check that the pro rata formula is included in refund procedures.<sup>†</sup>
- " Verify that loan references are updated and additional references are identified.<sup>†</sup>
- " Determine whether schools with commissioned sales representatives have compensation structure based on student retention.

<sup>†</sup> These issues are optional parts of the default management plan for schools with rates under than 30%.

Refer to IRB Memo 91-15 (5/14/91) for further guidance and requirements.

34 CFR §§ 668.15, and 668-Appendix D, General Provisions

34 CFR §§ 682.603, 682.604, and 682.606 FFEL

**HEA** §§ 485(b), 428(a)(b)